



Report and Recommendation of the President to the Board of Directors

Project Number: 48293
August 2014

Proposed Loan and Grant Solomon Islands: Transport Sector Flood Recovery Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 21 July 2014)

Currency unit	–	Solomon Islands dollar (SI\$)
SI\$1.00	=	\$0.1386
\$1.00	=	SI\$7.215

ABBREVIATIONS

ADB	–	Asian Development Bank
CPIU	–	central project implementation unit
EARF	–	environmental assessment and review framework
EMP	–	environmental management plan
GDP	–	gross domestic product
km	–	kilometer
MID	–	Ministry of Infrastructure Development
NTF	–	National Transport Fund
NTP	–	National Transport Plan
SDR	–	special drawing right
SPS	–	Safeguard Policy Statement
TSDP	–	Transport Sector Development Project
UN	–	United Nations

NOTE

In this report, “\$” refers to US dollars unless otherwise stated.

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PROJECT AT A GLANCE

1. Basic Data		Project Number: 48293-001	
Project Name	Transport Sector Flood Recovery Project	Department /Division	PARD/PATE
Country Borrower	Solomon Islands Ministry of Finance	Executing Agency	Ministry of Infrastructure Development
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Transport	Road transport (non-urban)		13.22
		Total	13.22
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Adaptation (\$ million)	3.00
Environmentally sustainable growth (ESG)	Disaster risk management Global and regional transboundary environmental concerns	Climate Change impact on the Project	Medium
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Client relations, network, and partnership development	Effective gender mainstreaming (EGM)	✓
Knowledge solutions (KNS)	Application and use of new knowledge solutions in key operational areas		
Private sector development (PSD)	Public sector goods and services essential for private sector development		
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Rural	High
6. Risk Categorization:	Low		
7. Safeguard Categorization	Environment: B Involuntary Resettlement: B Indigenous Peoples: C		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		13.22	
Sovereign Project loan: Asian Development Fund		6.61	
Sovereign Project grant: Asian Development Fund		6.61	
Cofinancing		0.00	
None		0.00	
Counterpart		2.36	
Government		2.36	
Total		15.58	
9. Effective Development Cooperation			
Use of country procurement systems		No	
Use of country public financial management systems		Yes	

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on (i) a proposed loan and (ii) a proposed grant, both to the Solomon Islands for the Transport Sector Flood Recovery Project.¹

2. The project will support the efforts of the Government of Solomon Islands to reconstruct, and climate- and disaster-proof, the transport sector infrastructure damaged by flash floods in April 2014.

II. THE PROJECT

A. Rationale

3. Solomon Islands is a vast Melanesian country with a total land area of about 28,000 square kilometers comprising six large islands, dozens of smaller islands, and hundreds of islets and atolls. It is one of the 20 countries in the world deemed most vulnerable to disasters caused by natural hazards, being subjected to cyclones, floods, landslides, storm surges, earthquakes, tsunamis, and droughts. Flooding has occurred with relentless frequency in Solomon Islands.² Climate change will affect disaster risks through changes in climate hazards, as more extreme weather events are likely to increase in the future. The country is already experiencing higher temperatures, changing rainfall patterns, varying frequencies of natural hazard events, and sea-level rise. Transport infrastructure in particular is highly vulnerable to these hazards.

4. On 3–5 April 2014, prolonged heavy rainfall associated with a tropical depression, which later became Tropical Cyclone Ita, caused severe flooding in Solomon Islands. The areas worst affected were east and west Guadalcanal and the capital, Honiara. Major infrastructure such as roads, bridges, housing, and sewerage and water supply systems were damaged or destroyed. The flooding caused 23 fatalities, displaced 10,000 people and affected about 52,000 people overall. On 4 April 2014, the government declared a state of disaster for Honiara and Guadalcanal Province and on 5 April, it requested international emergency assistance to aid relief efforts.

5. The flooding is expected to substantially slow economic growth, largely due to the closure of the Gold Ridge mine because of a damaged bridge on the road leading to the mine. The real gross domestic product (GDP) growth for 2014 could be expected to decline from pre-flood projections of 3% to -1%.³

6. In May 2014, the Asian Development Bank (ADB) and other development partners conducted a rapid assessment of the macro and sector-specific impacts of the flash floods.⁴ Total damage and losses were estimated at \$107.7 million, equivalent to 9.2% of Solomon Islands' GDP. The sectors that sustained the highest level of damage were housing (accounting for 56% of damage) and transport (accounting for 23% of damage, and 63% of recovery needs). The assessment highlighted that the repairs to roads and bridges should be carried out

¹ The design and monitoring framework is in Appendix 1.

² In the past, flood damage in Honiara and Guadalcanal has been associated with Cyclone Angela (1966), Cyclone Glenda (1967), Cyclone Carlotta (1972), Cyclone Kerry (1979), Cyclone Bernie (1982), Cyclone Namu (1986), Cyclone Ului (2010), Cyclone Yasi (2011), and with excessively heavy rainfall in 2008, 2009, 2010, and 2012.

³ ADB 2014. *Pacific Economic Monitor*, July. Manila.

⁴ Government of Solomon Islands, 2014. *Rapid Assessment of the Macro and Sectoral Impacts*. Honiara.

immediately to minimize secondary impacts on the economy, and to restore connectivity to essential services such as hospitals, schools, markets, and main commercial centers in Honiara.

7. The government has been working with the international community, civil society, and other stakeholders to address humanitarian response needs, and is now preparing a recovery plan based on the rapid assessment (footnote 4). The disaster relief budget allocated to the National Disaster Council is SI\$1.9 million (\$263,000), and it was quickly exhausted after the floods. This is the second year in a row that a single disaster has exhausted not only the relief budget of the council, but also its operational budget. This poses serious concern should another event strike Solomon Islands in 2014.

8. Various organizations such as bilateral aid agencies, United Nations (UN) agencies, and nongovernment organizations provided emergency relief immediately after the flash floods. As part of the UN Pacific Humanitarian Team support, the United Nations Development Programme, through the Pacific Risk Resilience Programme funded by the Australian Government, provided early recovery technical advice to the Ministry of Provincial Development and the National Disaster Management Office. The Secretariat of the Pacific Community provided disaster coordination capacity support. On 16 April 2014, ADB approved a \$200,000 grant from the Asia Pacific Disaster Response Fund facility for humanitarian and relief efforts.

9. A combination of large flows and debris buildup caused extensive damage to bridges, including damage to piers, abutments, approaches, scour protection, and service connections. Several bridges, bridge approaches, causeways, and culverts collapsed or were completely washed away. The accumulation of debris and sediments blocked roadside drains, eroded channels, and damaged road shoulders. Landslides were recorded in several places, and the submergence of roads for extended periods after the flooding resulted in accelerated degradation of the pavement. Access was cut at several locations, and Henderson International Airport was closed for 2 days. Road transport also sustained economic losses from longer travel times due to congestion and lengthier alternative routes, and because some landowners requested payments for use of road diversions. Vehicle operating costs increased accordingly.

10. In assessing reconstruction needs, the government prioritized the reconstruction of transport sector infrastructure and adopted the building-back-better principle by requiring that damaged assets be rebuilt to a higher standard of climate and disaster resilience. The government has invested \$1.39 million through the National Transport Fund (NTF) to restore temporary connectivity of the highways from east and west Guadalcanal to the capital Honiara and to the international airport. Total recovery and reconstruction needs for the transport sector are estimated at \$34.66 million, and after contributions from the NTF, and the governments of Australia (\$3.76 million), Japan (\$10.00 million), and New Zealand (\$1.22 million), \$18.29 million remains unmet. On 16 May 2014, the government requested to access ADB's Disaster Response Facility to finance reconstruction of transport infrastructure damaged by the flash floods.⁵ World Bank and UN agencies will focus on other sectors including housing, water supply, health, and education.

⁵ ADB's policy on *Piloting a Disaster Response Facility* became effective on 1 January 2013.

11. ADB offers a comparative advantage in transport infrastructure reconstruction. ADB has been supporting the government's efforts to develop and improve the transport sector since 2000 through six projects.⁶ The Sustainable Transport Improvement Investment Program, which will use the results-based lending modality, is under preparation. Some of the ongoing ADB Transport Sector Development Project (TSDP) resources have been redirected to assist the damage assessment and emergency restoration.

12. The National Transport Plan (NTP), developed with support from ADB technical assistance,⁷ formally sets out a strategic and policy framework to (i) develop transport services, (ii) maintain and develop physical infrastructure, (iii) improve the capacity of government agencies, and (iv) develop the private sector. Under ADB's assistance, the government has established the NTF, which pools the funds from the government and development partners for rehabilitation and maintenance of transport infrastructure. ADB will provide its emergency assistance through a sector approach, which allows the government to take the lead in identifying, prioritizing, appraising, designing, and implementing subprojects in line with its NTP. MID will propose the transport infrastructure reconstruction on behalf of the government. The approval of the subprojects will be based on satisfactory technical, economic, and safeguard assessments in compliance with eligibility criteria agreed between the government and ADB, based on the prioritization and selection criteria defined in the NTP.⁸

B. Impact and Outcome

13. The impact of the project will be socioeconomic activities restored to at least pre-flood levels. The outcome will be restored and more resilient connectivity.

C. Output

14. The project will have one output: transport infrastructure in priority locations reconstructed, and climate- and disaster-proofed. The subprojects will include reconstruction and climate- and disaster-proofing of at least three high-level bridges and five small stream crossings, 1.6 kilometers (km) of bridge approach roads, 80 meters of cross culverts, 1 km of bridge and approach road protection work, and 300 meters of river training. All reconstruction work will incorporate gender-conscious designs.

⁶ ADB. 2000. *Report and Recommendation of the President to the Board of Directors: Proposed Loan for Solomon Islands for the Post-Conflict Emergency Rehabilitation Project*. Manila; ADB. 2006. *Report and Recommendation of the President to the Board of Directors: Proposed Grant for Solomon Islands for Road Improvement (Sector) Project*. Manila; ADB. 2007. *Report and Recommendation of the President to the Board of Directors: Proposed Grant for Solomon Islands for Emergency Assistance Project*. Manila; ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Grant and Administration of Grant for Solomon Islands for Domestic Maritime Support (Sector) Project*. Manila; ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Grant and Administration of Grant for Solomon Islands for Second Road Improvement (Sector) Project*. Manila; ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Grant and Administration of Technical Assistance Grant for Solomon Islands for the Transport Sector Development Project*. Manila.

⁷ ADB. 2004. *Technical Assistance to Solomon Islands for Institutional Strengthening in the Ministry of Infrastructure and Development*. Manila.

⁸ Subproject Eligibility and Selection Criteria (accessible from the list of linked documents in Appendix 2).

D. Investment and Financing Plans

15. The project is estimated to cost \$15.58 million (Table 1).

Table 1: Project Investment Plan
(\$ million)

Item	Amount ^a
A. Base cost ^b	13.71
B. Contingencies ^c	1.69
C. Financing charges during implementation ^d	0.18
Total	15.58

^a Includes taxes and duties of \$2.06 million to be financed from government resources through exemption.

^b In mid-2014 prices.

^c Physical contingencies computed at 10% and price contingencies at 5% of the total foreign currency base cost.

^d Includes interest computed at 1.0% per annum.

Source: Asian Development Bank estimates.

16. The government has requested a loan in various currencies equivalent to SDR4,289,000 (equivalent to \$6,610,000), and a grant⁹ not exceeding \$6,610,000, from ADB's Special Funds resources through the Disaster Response Facility to help finance the project. The loan will have an interest charge at the rate of 1.0% per annum; a term of 40 years, including a grace period of 10 years; repayment of principal at 2% per annum for the first 10 years after the grace period and 4% per annum thereafter, and such other terms and conditions as set forth in the draft financing agreement. Interest during construction will be capitalized under the loan. The loan and grant will be used for the procurement of equipment and materials, civil works, services, related transportation, insurance, installation costs, consulting services, and contingencies. The government will provide the equivalent of \$2.36 million as in-kind contribution in the form of administrative services, office space, audit fees, counterpart staff, service relocation, and exemption on taxes and duties, and will finance any potential land acquisition. ADB's Safeguard Policy Statement 2009 (SPS) will apply to all civil works.

17. The financing plan is in Table 2.

Table 2: Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Disaster Response Facility (loan)	6.61	42.43
Disaster Response Facility (grant)	6.61	42.43
Government	2.36	15.15
Total	15.58	100.00

Note: Percentages may not total 100% because of rounding.

Source: Asian Development Bank estimates.

⁹ A country's eligibility for Asian Development Fund grants under the revised grant framework is determined by its risk of debt distress. The latest debt sustainability analysis determined that Solomon Islands had a moderate risk of debt distress and was therefore eligible to receive 50% of its Asian Development Fund allocation as grants.

E. Implementation Arrangements

18. The Ministry of Infrastructure Development (MID) will be the executing agency, and it will implement the project through the central project implementation unit (CPIU). A team of international and national consultants will be mobilized and integrated into the CPIU to strengthen MID's technical and managerial capacity in project implementation.¹⁰ Advance contracting shall be undertaken for the recruitment of consultants to accelerate project implementation. The government has requested ADB to recruit the consultants. The director of the CPIU will oversee the overall implementation of the project. The CPIU, supported by consultants and MID's technical, administrative, and financial staff, will be responsible for design and day-to-day implementation, financial management, safeguards, and monitoring and evaluation of the project. The CPIU will be responsible for procurement and administering contracts on behalf of MID. All procurement of goods and works will be undertaken in compliance with ADB's Procurement Guidelines (2013, as amended from time to time), and all consulting services will be procured in compliance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).

19. The project will be implemented over 2 years and 9 months, which is longer than the typical period of 2 years for emergency assistance projects. This is justified because of the severity of damages in the transport sector caused by the flooding, and the government's capacity constraints in meeting the recovery needs and in ensuring that the designs include higher standards of climate and disaster resilience to prevent the same level of damage occurring in the future.

20. The implementation arrangements are summarized in Table 3 and described in detail in the project administration manual.¹¹

¹⁰ To provide prompt emergency response in line with the Disaster and Emergency Assistance Policy (2004), the TSDP will engage additional consultants using the grant savings (i) to strengthen the management and technical capacity of the CPIU and (ii) to undertake feasibility studies, detailed engineering design, and tendering of civil works to be implemented under this project. The same consultants will continue assisting construction supervision under the same contract, but such activity will be financed under this project.

¹¹ Project Administration Manual (accessible from the list of linked documents in Appendix 2).

Table 3: Implementation Arrangements

Aspects	Arrangements		
Implementation period	October 2014–June 2017		
Estimated completion date	June 2017. Project closing date: December 2017.		
Management			
(i) Oversight body	MOFT, MDPAC		
(ii) Executing agency	MID		
(iii) Key implementing agencies	MID		
(iv) Implementation unit	MID CPIU, Honiara, Solomon Islands: 15 MID staff, 45 consultants (14 international and 31 national). Number of staff proposed for this project is 5 MID staff and 16 consultants (12 international, 4 national).		
Procurement	ICB	1 contract	\$9,550,000
	Shopping	2 contracts	\$ 150,000
Consulting services	QCBS	138 person-months	\$2,450,000 ^a
Advance contracting	Advance contracting for consulting services		
Disbursement	The loan and grant proceeds will be disbursed in accordance with ADB's <i>Loan Disbursement Handbook</i> (2012, as amended from time to time) and detailed arrangements agreed upon between the government and ADB.		

CPIU = central project implementation unit, ICB = International competitive bidding, MDPAC = Ministry of Development Planning and Aid Coordination, MID = Ministry of Infrastructure Development, MOFT = Ministry of Finance and Treasury, QCBS = quality- and cost-based selection.

^aThis will be one package and will include 38 person-months (26 person-months international and 12 person-months national) of consultancy services for feasibility studies, detailed engineering design, and tendering of civil works, estimated at \$800,000 and to be financed from uncommitted funds under the Transport Sector Development Project. Source: Asian Development Bank.

III. DUE DILIGENCE

A. Technical

21. The project supports activities that respond to critical post-flood reconstruction needs and transport sector priorities of the Solomon Islands. The project is coordinated with, and supported by, other development partners, and the sector-based approach will bolster country ownership and further improve development coordination. The rapid assessment of macro and sector-specific impacts (footnote 4), which includes a long list of damaged sites, and Solomon Islands' NTP are the basis for the selection of subprojects. Subprojects will be chosen using the selection criteria (footnote 8), option analysis, cost estimates, and feasibility studies. The detailed engineering designs will include measures to support the socially vulnerable such as women, children, and the disabled; and adopt a sustainable maintenance strategy that takes into account future traffic growth as well as climate and disaster risks.

B. Economic and Financial

22. ADB's Disaster and Emergency Assistance Policy (2004)¹² provides the flexibility to conduct the economic analysis after ADB Board approval. The economic analysis for the subprojects will be undertaken before their implementation, in accordance with ADB's Guidelines for the Economic Analysis of Project.¹³ MID will use the NTF mechanism to fund

¹² ADB. 2004. *Disaster and Emergency Assistance Policy*. Manila.

¹³ ADB. 1997. *Guidelines for the Economic Analysis of Projects*. Manila.

operations and maintenance of the project facilities once they are completed. The NTF is enhancing the government's ability to prioritize actions, allocate resources, sustain implementation of national transport infrastructure, and support disaster management and recovery. The financial analysis will include (i) a projection of incremental recurrent costs, such as operations and maintenance expenditures to ensure sustainability of project or program benefits; and (ii) an assessment of MID's capacity to fund recurrent costs. Sufficient resources will be allocated to the economic and financial due diligence.

C. Governance

23. **Financial management.** The financial management assessment of MID conducted under the TSDP has been updated for the project.¹⁴ The assessment evaluated MID in its role as the executing agency for the project. It concluded that despite significant improvements, public financial management remains weak, but assessed the risks as moderate. One specific risk assessed as high was the lack of internal audit function. Since the implementation of the TSDP in 2011, MID (through the CPIU) has been involved in the financial management of projects, accounting, financial reporting, and auditing. MID's financial capacity has been augmented under the TSDP by a fulltime financial management specialist attached to the CPIU and by another financial management advisor stationed in MID's Accounts Section and financed by the Australian Government, both building capacity of MID staff. Given that the proposed project will also be implemented by CPIU, sound accounting and auditing practices will be applied to project expenditures.

24. **Procurement.** A procurement capacity assessment of MID was conducted for the TSDP. It concluded that MID has established procurement policies and procedures in place, and has considerable experience in implementing external assistance projects. The CPIU is adequately staffed and will be supported by additional procurement and implementation consultants.

25. **Anticorruption measures.** ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and the executing agency. The specific policy requirements and supplementary measures are described in the project administration manual (footnote 11).

D. Poverty and Social

26. The project's expected poverty and social benefits, and its impacts on local communities will be analyzed by reviewing previous social and poverty analyses and consultations with stakeholders. A summary poverty reduction and social strategy has been prepared.¹⁵ As highlighted in the rapid assessment (footnote 4), repairs to roads and bridges are being prioritized to minimize secondary impacts on the economy, and to restore connectivity to essential services.

27. **Gender.** The project is classified as effective gender mainstreaming. A gender action plan has been prepared. Gender differences are evident in travel patterns in Solomon Islands—women tend to take shorter, more frequent, and dispersed trips during the day to fetch water, tend gardens, collect firewood, raise livestock, and process cocoa and copra. The design and

¹⁴ Financial Management Assessment (accessible from the list of linked documents in Appendix 2).

¹⁵ Summary Poverty Reduction and Social Strategy (accessible from the list of linked documents in Appendix 2)

supervision consultants will ensure that the reconstruction will include gender-conscious designs such as foot paths and railings on bridges, and pathways to access the river. Contractors are encouraged to prioritize the use of local materials and the employment of local workers, and to maximize the use of women in labor-intensive activities. Women will be encouraged to take up employment during project implementation and subsequent activities after project completion. Equal wages for equal work will be paid to men and women engaged in the project. Various training and awareness activities will be undertaken, such as training on labor-based, equipment-supported contracting and on safeguards; training on road cleaning, roadside vegetation management, and waste management; and awareness raising on HIV/AIDS, gender-sensitive transport and road safety issues. A resettlement plan will be prepared for any land acquisition or other non-land impacts; the plan will ensure that equal compensation and assistance will be provided to affected men and women. Gender-specific targets and indicators are integrated into the project's design and monitoring framework.

E. Safeguards

28. **Environment.** The project is classified as category B for environment. It is expected to have limited, site-specific, and—in most cases—temporary adverse impacts on the environment, which can be readily mitigated and managed under the environmental management plans (EMPs) included in the environmental assessment of each subproject. An environmental assessment and review framework (EARF) has been prepared for the project and posted on ADB website.¹⁶ The EARF requires screening and assessment of each road segment in line with the Environment Act 1998, and for any additional elements to comply with the SPS. During construction, environmental management will adopt the system now being implemented by the CPIU under the TSDP, whereby minor works are guided by either simple or developed EMPs, and major works associated with bridges will be subject to full EMPs based on environmental assessments and updated during detailed design. In line with ADB's Public Communications Policy 2011, all relevant environmental information will be made available in a timely manner and in a form and language understandable to affected people and other stakeholders. ADB will post the assessments on its website.

29. **Land acquisition and involuntary resettlement.** The project is classified as category B for land acquisition and involuntary resettlement. It is not expected to involve significant land acquisition and resettlement activities, because most of the infrastructure will be rehabilitated or reconstructed at current locations within the existing road corridor. However, civil works will require temporary land use or access during construction and this will be obtained through agreements with landowners or affected persons. A resettlement framework has been prepared describing the procedures for (i) screening of land acquisition and resettlement impacts; (ii) social impact assessment and preparation of a resettlement plan, if needed; and (iii) negotiations and agreements for land access.¹⁷ MID has endorsed the resettlement framework, which has been posted on ADB website.

30. **Indigenous peoples.** The project is classified as category C for indigenous peoples. Melanesians are the native people of Solomon Islands and comprise the vast majority of the population. The project is not expected to affect any distinct and vulnerable groups of indigenous peoples as defined under ADB's SPS. All project components will be implemented in a culturally appropriate and participatory manner.

¹⁶ Environmental Assessment and Review Framework (accessible from the list of linked documents in Appendix 2).

¹⁷ Resettlement Framework (accessible from the list of linked documents in Appendix 2).

31. The project will help strengthen MID's capacity for effectively managing environmental and social impacts, including (i) training of MID staff and other persons on safeguard activities, and (ii) international and national consultants and staff in the CPIU to implement and monitor the project's safeguard activities.

F. Risks and Mitigating Measures

32. The project has three main risks that are rated medium and considered manageable, and they will be largely mitigated during implementation. The integrated benefits and impacts are expected to outweigh the costs of the mitigating measures. Major risks and mitigating measures are summarized in Table 4 and described in detail in the risk assessment and risk management plan.¹⁸

Table 4: Summary of Risks and Mitigating Measures

Risks	Mitigating Measures
More frequent or intense future floods or other natural hazards	The project will ensure that infrastructure investments meet standards for climate and disaster resilience.
Stretched administrative capacity and resources of the government undermine implementation and effectiveness of the emergency assistance.	Adding capacity to the MID CPIU will strengthen implementation and coordination capabilities, thereby ensuring effective delivery of the emergency assistance.
Limited capacity of MID for operations and maintenance jeopardizes the sustainability of the infrastructure.	Through the institutional strengthening and capacity development component of the TSDP, the executing agency is improving operations and maintenance capacity; it is also undergoing training to improve its abilities for project implementation and operation, and asset management, which will boost infrastructure sustainability.

CPIU = central project implementation unit, MID = Ministry of Infrastructure Development, TSDP = Transport Sector Development Project
Source: Asian Development Bank.

IV. ASSURANCES

33. The government has assured ADB that implementation of the project shall conform to all applicable ADB policies, including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the project administration manual and financing documents.

34. The government and MID have agreed with ADB on certain covenants for the project, which are set forth in the financing agreement.

¹⁸ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

V. RECOMMENDATION

35. I am satisfied that the proposed loan and grant would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve

- (i) the loan in various currencies equivalent to SDR4,289,000 to Solomon Islands for the Transport Sector Flood Recovery Project, from ADB's Special Funds resources, with an interest charge at the rate of 1.0% per annum; for a term of 40 years, including a grace period of 10 years; with repayment of principal at 2% per annum for the first 10 years after the grace period and 4% per annum thereafter; and such other terms and conditions as are substantially in accordance with those set forth in the draft financing agreement presented to the Board; and
- (ii) the grant not exceeding \$6,610,000 to Solomon Islands from ADB's Special Funds resources for the Transport Sector Flood Recovery Project, on terms and conditions that are substantially in accordance with those set forth in the draft financing agreement presented to the Board.

Takehiko Nakao
President

1 August 2014

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact</p> <p>Socioeconomic activities restored to at least pre-flood levels</p>	<p>By 2022:</p> <p>Solomon Islands GDP growth projections restored to at least pre-flood levels of 3%</p> <p>Baseline 2014: GDP growth expected to decline to -1%</p>	<p>Asian Development Outlook database</p> <p>Pacific Economic Monitor database</p> <p>Solomon Islands National Statistics Office</p>	<p>Assumption</p> <p>Government development and transport sector priorities remain consistent</p> <p>Risks</p> <p>Intensity and frequency of natural disasters in the future are above the resilience level of the reconstructed infrastructure</p> <p>Government budget allocations for transport sector maintenance, rehabilitation, and construction could fail to keep up with needs</p>
<p>Outcome</p> <p>Restored and more resilient connectivity</p>	<p>By 2017:</p> <p>Travel times to markets, schools, and health care facilities restored to pre-flood levels</p> <p>Transport cost to socioeconomic services restored to pre-flood levels</p>	<p>MID baseline survey and monitoring surveys</p> <p>Government statistics as compiled in annual report to the National Transport Fund Board</p>	<p>Assumptions</p> <p>Private sector operators respond to opportunities</p> <p>Key pieces of socioeconomic infrastructure (markets, schools, and health care facilities) in target areas are operating at pre-flood levels</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Output</p> <p>Transport infrastructure in priority locations reconstructed, and climate- and disaster-proofed.</p>	<p>At least three high-level bridges reconstructed and climate- and disaster-proofed</p> <p>At least five small stream crossings reconstructed</p> <p>Reinstatement of 1.6 km of all-weather bridge approach roads</p> <p>80 m of cross culverts reconstructed</p> <p>1 km of bridge and approach road protection work completed</p> <p>300 m of river-training works completed All reconstruction work will incorporate gender-conscious designs; all bridges will include footpaths and railings, and at least 50% of bridges will include pathways to access the river</p>	<p>MID annual reports</p>	<p>Assumption</p> <p>Counterpart staff are available.</p> <p>Risks</p> <p>Stretched administrative capacity and resources of the government undermine implementation and effectiveness of the emergency assistance</p>
<p>Activities with Milestones</p> <p>Project implementation and management</p> <ol style="list-style-type: none"> 1. Recruit design and supervision consultants (Q4 2014) 2. Generate an implementation plan (Q4 2014) 3. Oversee implementation of the gender action plan (2014–2017) 4. Oversee communication strategy activities (2014–2017) 5. Oversee environment management activities (2014–2017) <p>Reconstruction of damaged infrastructure</p> <ol style="list-style-type: none"> 6. Prepare feasibility study (Q2–Q3 2015) 7. Prepare detailed engineering designs (Q3 2015) 8. Prepare design and bid documents (Q3 2015) 9. Tender and evaluate bids (Q3–Q4 2015) 10. Award civil works contracts (Q3–Q4 2015) 11. Conduct civil works (2016–2017) 		<p>Inputs</p> <p>Loan ADB: \$6,610,000</p> <p>Government: \$2,360,000</p> <p>Grant ADB: \$6,610,000</p>	

ADB = Asian Development Bank, GDP = gross domestic product, km = kilometer, m = meter, MID = Ministry of Infrastructure Development, Q = quarter.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=48293-001-3>

1. Financing Agreement
2. Sector Assessment (Summary): Transport (Sector Recovery Needs)
3. Project Administration Manual
4. Contribution to the ADB Results Framework
5. Development Coordination
6. Country Economic Indicators
7. Summary Poverty Reduction and Social Strategy
8. Gender Action Plan
9. Environmental Assessment and Review Framework
10. Resettlement Framework
11. Risk Assessment and Risk Management Plan

Supplementary Documents

12. Subproject Eligibility and Selection Criteria
13. Financial Management Assessment